

Alternate Revenue Source Initial Consideration Follow-Up

Washington State Law Enforcement
Officers' and Fire Fighters' Plan 2
Retirement Board

August 23, 2006

Brief Summary

- Firemen's Pension Fund
- Fire Insurance Premium Tax
- Property Tax Levy ("Millage")

Firemen's Pension Fund

- Firemen's pension fund created in each municipality with regularly organized full time, paid, fire department employing firemen
- Revenue Sources
 - Fire insurance premium tax
 - Property tax levy
 - Investment earnings
 - Contributions
 - Bequests, fees, gifts, emoluments, donations

Fire Insurance Premium Tax

- What is it?
- How much is collected?
- How is it allocated?

Fire Insurance Premium Tax

What is it?

- Washington collects 2% tax on all insurance premiums
- Portion of premium tax related to fire policies distributed to Firemen's Pension Fund
 - 2% of fire insurance premiums
 - 2% of homeowner's and commercial multiple peril policies; portion attributable to fire losses calculated
- Computed on previous year's taxes

Fire Insurance Premium Tax

How much is collected?

2% of Fire Insurance Premiums	\$2,136,630
Homeowners Fire Loss (41.04%)	\$8,396,059
Comm. Multiple Peril Fire Loss (18.5%)	\$2,431,473
Total 2006 Distribution	\$12,964,162

Fire Insurance Premium Tax

How is it allocated?

40%	Volunteer Firefighter's Plan
25%	Firemen's Pension Fund Municipalities
20%	Fire Service Training Account
15%	State General Fund

Volunteer Firefighter's Pension and Relief Plan

- 2004 Actuarial Valuation
- Fire Insurance Premium Tax
 - \$4,726,000 deposited in benefit fund
- Administration and expenses
 - \$385,000 paid out of benefit fund
 - 8.1% of fire insurance premium tax
 - 2.1% of total fund revenue (\$18,242,000)

Property Tax Levy

- What is it?
- Who can issue the levy?
- Does the tax have to be levied?
- Can the levy be used for other purposes?
- Can the money in a fund be used for other purposes?
- Who is levying the tax and how much is being collected?

Property Tax Levy

What is it?

- Statute “contemplates” a levy up to \$0.45
- It shall be the duty...
 - \$0.225 per \$1,000 of assessed property value
 - “Additional” \$0.225 per \$1,000 of assessed property value (may exceed the \$3.60 limit)

Property Tax Levy

Who can issue the levy?

- A city or town which does not have a regularly organized, full time, paid, fire department is not authorized to levy the property tax.

Property Tax Levy

Who can issue the levy?

- A municipality which first created a full time, paid fire department after March 1, 1970 not authorized to levy property tax.

Property Tax Levy

Who can issue the levy?

- Fire Protection Districts
 - 1955 Legislature added Fire Districts
 - 1961 Technical Corrections

Property Tax Levy

Does the tax have to be levied?

- Imposition of the levy is mandatory when a need exists
- Imposition of the additional levy is likewise mandatory if a need exists

Property Tax Levy

Does the tax have to be levied?

- An actuarial examination and report on the condition of the Firemen's Pension Fund is necessary before deciding not to levy the mandatory tax.

Property Tax Levy

Can the levy be used for other purposes?

- If after examination and report on the condition of the fund, it is determined that the levy is not required for the fund, the tax may be levied and used for another municipal purpose.

Property Tax Levy

Can the levy be used for other purposes?

- RCW 41.26.040(3) does not prohibit a city or town from using property tax revenue for municipal purposes other than the funding of firemen's pensions where other uses are permitted by statute.

Property Tax Levy

Can the levy be used for other purposes?

- Funds may lawfully be used for pension benefits to eligible members and medical expenses incurred by LEOFF Plan 1 fire fighters.

Property Tax Levy

Can the levy be used for other purposes?

- Once in a fund, tax revenue can not be used for anything other than paying benefits. Nothing suggests that the tax can't be levied and placed immediately in a different fund appropriate for other municipal purposes.

Property Tax Levy

Can the levy be used for other purposes?

- Monies in a prior municipal Firemen's Pension Fund may not be transferred to the city, town, or district; however, the Legislature could amend the law to authorize such transfers.

Property Tax Levy

Who is levying the tax?

- Unknown – Dept of Revenue does not track as separate part of the total property tax rate
- 45 cities and 3 districts eligible for fire insurance premium tax distribution

Property Tax Levy

How much is being collected?

- 45 eligible cities assessed property value of \$284 billion (2006)
- Potential revenue generated in 2006 would have been approximately \$64 million

Alternate Revenue Source

Questions?